



ACCO Brands Corporation Reports First Quarter 2018 Results

May 1, 2018

LAKE ZURICH, Ill., May 1, 2018 /PRNewswire/ -- ACCO Brands Corporation (NYSE: ACCO), one of the world's largest designers, marketers and manufacturers of branded academic, consumer and business products, today reported its first quarter results for the period ended March 31, 2018.

"First quarter results demonstrate the strength and balance of our more diversified global business," said Boris Elisman, Chairman, President and Chief Executive Officer of ACCO Brands. "I am especially pleased with the growth of our EMEA region, where the Esselte acquisition is driving organic sales growth and profit improvements."

First Quarter Results

Net sales increased 13% to \$405.8 million from \$359.8 million in the prior-year quarter driven by the additional month of sales from Esselte and foreign exchange. Excluding the effects of the acquisition and foreign exchange, comparable sales decreased 4%, primarily due to declines in the North America segment. Net income was \$10.4 million, or \$0.09 per share, including \$6.3 million of restructuring and integration charges. This compared to net income of \$3.6 million, or \$0.03 per share, in the prior-year quarter, which included \$0.3 million of refinancing-related charges and \$6.8 million of transaction, integration and restructuring charges. Adjusted net income increased to \$8.9 million, or \$0.08 per share, from \$4.9 million, or \$0.04 per share, in the prior-year quarter. The increase in adjusted net income was primarily driven by the Esselte acquisition.

Business Segment Highlights

ACCO Brands North America - Sales decreased 5% to \$165.6 million from \$174.9 million in the prior-year quarter. The additional month of sales from Esselte added 1% to sales, or \$0.9 million, and foreign exchange added 1%. Comparable sales decreased 6%, or \$11.1 million, due to customer inventory reductions and lost placements. Operating income decreased to \$2.9 million from \$5.8 million in the prior-year quarter. Adjusted operating income decreased to \$4.7 million from \$7.2 million in the prior year primarily due to lower gross margin.

ACCO Brands EMEA - Sales increased 60% to \$154.5 million from \$96.5 million in the prior-year quarter. The additional month of sales from Esselte added 44%, or \$42.7 million, and foreign exchange added 14%. Comparable sales increased 2%, or \$1.6 million. Operating income increased to \$14.1 million from \$3.6 million in the prior-year quarter, and adjusted operating income increased to \$17.4 million from \$5.5 million, due to the acquisition and higher gross margin.

ACCO Brands International - Sales decreased 3% to \$85.7 million from \$88.4 million in the prior-year quarter. The additional month of sales from Esselte added 1%, or \$0.6 million, and foreign exchange added 3%. Comparable sales declined 7%, or \$5.7 million, as growth in Brazil was offset by lower sales in Australia and Mexico. Operating income decreased to \$5.8 million from \$10.1 million in the prior-year quarter and adjusted operating income decreased to \$6.6 million from \$10.7 million in the prior-year quarter, due to lower sales and higher distribution costs associated with warehouse and systems consolidation driven by the Pelikan Artline integration in Australia.

Business Outlook

The company is reiterating its outlook for 2018 revenue, adjusted earnings per share and free cash flow. The company expects 2018 sales growth of approximately 2% and adjusted EPS growth of 12-15%, a range of \$1.33-\$1.37 per share, assuming a normalized tax rate of 28%. Free cash flow is expected to be approximately \$180 million.

Webcast

At 8:30 a.m. Eastern Time today, ACCO Brands Corporation will host a conference call to discuss the company's results. The call will be broadcast live via webcast. The webcast can be accessed through the Investor Relations section of www.accobrand.com. The webcast will be in listen-only mode and will be available for replay for one month following the event.

About ACCO Brands Corporation

ACCO Brands Corporation is one of the world's largest designers, marketers and manufacturers of branded academic, consumer and business products. Our widely recognized brands include Artline®, AT-A-GLANCE®, Derwent®, Esselte®, Five Star®, GBC®, Hilroy®, Kensington®, Leitz®, Mead®, Quartet®, Rapid®, Rexel®, Swingline®, Tilibra®, Wilson Jones®, and many others. Our products are sold in more than 100 countries around the world. More information about ACCO Brands, the Home of Great Brands Built by Great People, can be found at www.accobrand.com.

Non-GAAP Financial Measures

This press release contains certain non-GAAP financial measures, including adjusted operating income, adjusted earnings per share, adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), free cash flow, adjusted free cash flow, effective tax rate and comparable net sales at constant currency. We have included a description of each of these measures and a reconciliation to the most directly comparable GAAP financial measure in the tables attached to this press release.

We use the non-GAAP financial measures both in the internal evaluation and management of our business and to explain our results to stockholders and the investment community. Senior management's incentive compensation is derived, in part, using certain of these measures. We believe these measures provide management and investors with a more complete understanding of our underlying operational results and trends, facilitate meaningful comparisons and enhance an overall understanding of our past financial performance and our future prospects. The non-GAAP results are an indication of our baseline performance before gains, losses or other charges that we considered to be outside our core operating results.

The non-GAAP financial measures exclude certain items that may have a material impact upon our reported financial results such as unusual income tax items, restructuring and integration charges, acquisition-related expenses, foreign currency fluctuation, and other one-time or non-recurring items. These

measures should not be considered in isolation or as a substitute for, or superior to, the directly comparable GAAP financial measures and should be read in connection with the company's financial statements presented in accordance with GAAP.

This press release also provides forward-looking non-GAAP adjusted earnings per share, adjusted free cash flow and normalized tax rate. We do not provide a reconciliation of forward-looking adjusted earnings per share or tax rate to GAAP because the GAAP financial measure is not accessible on a forward-looking basis and reconciling information is not available without unreasonable effort due to the inherent difficulty of forecasting and quantifying certain amounts that are necessary for such a reconciliation, including adjustments that could be made for restructuring, integration and acquisition-related expenses, the variability of our tax rate and other charges reflected in our historical numbers. The probable significance of each of these items is high and, based on historical experience, could be material.

Forward-Looking Statements

Statements contained in this press release, other than statements of historical fact, particularly those anticipating future financial performance, business prospects, growth, operating strategies and similar matters are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, which are generally identifiable by the use of the words "will," "believe," "expect," "intend," "anticipate," "estimate," "forecast," "project," "plan," and similar expressions, are subject to certain risks and uncertainties, are made as of the date hereof, and we undertake no duty or obligation to update them. Because actual results may differ materially from those suggested or implied by such forward-looking statements, you should not place undue reliance on them when deciding whether to buy, sell or hold the company's securities.

Our business outlook is based on certain assumptions, which we believe to be reasonable under the circumstances. These include, without limitation, assumptions regarding the timing, cost and synergies expected from integration of acquisitions; the impact of the recent changes in U.S. tax laws; changes in the macro environment; fluctuations in foreign currency rates and share count; changes in the competitive landscape and consumer behavior; as well as other factors described below.

Among the factors that could cause actual results to differ materially from our forward-looking statements are: the concentration of our business with a relatively limited number of large customers; consumer spending decisions during periods of economic uncertainty or weakness; risks associated with foreign currency fluctuations; challenges related to the highly competitive business environments in which we operate; our ability to develop and market innovative products that meet consumer demands; our ability to grow profitably through acquisitions and expand our product assortment into new and adjacent categories; our ability to successfully integrate acquisitions and achieve the financial and other results anticipated at the time of acquisition, including synergies; the failure, inadequacy or interruption of our information technology systems or supporting infrastructure; risks associated with a cybersecurity incident or information security breach; our ability to successfully expand our business in emerging markets which generally expose us to greater financial, operational, regulatory and compliance and other risks; the effects of the U.S. Tax Cuts and Jobs Act; risks associated with the changes to U.S. government policies, including increased import tariffs or quotas and other changes in trade relations and policies; the impact of litigation or other legal proceedings; the risks associated with outsourcing production of certain of our products, information systems and other administrative functions; the continued decline in the use of certain of our products; risks associated with seasonality and raw material, labor and transportation availability and cost fluctuations; our failure to comply with applicable laws, rules and regulations and self-regulatory requirements and the costs of compliance; the sufficiency of investment returns on pension assets and risks related to actuarial assumptions; any impairment of our intangible assets; risks associated with our indebtedness, including our debt service obligations, limitations imposed by restrictive covenants and our ability to comply with financial ratios and tests; the bankruptcy or financial instability of our customers and suppliers; our failure to comply with customer contracts; our ability to secure, protect and maintain our intellectual property rights; product liability claims or regulatory actions; our ability to attract and retain key employees; the volatility of our stock price; material disruptions at one of our or our suppliers' major manufacturing or distribution facilities resulting from circumstances outside our control; and other risks and uncertainties described in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017 and in other reports we file with the SEC.

ACCO Brands Corporation and Subsidiaries Condensed Consolidated Balance Sheets

<i>(in millions of dollars)</i>	(unaudited)	
	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 122.7	\$ 76.9
Accounts receivable, net	316.1	469.3
Inventories	294.5	254.2
Other current assets	51.5	29.2
Total current assets	784.8	829.6
Total property, plant and equipment	657.1	645.2
Less: accumulated depreciation	(376.8)	(366.7)
Property, plant and equipment, net	280.3	278.5
Deferred income taxes	132.9	137.9
Goodwill	667.9	670.3
Identifiable intangibles, net	838.1	839.9
Other non-current assets	50.7	42.9
Total assets	<u>\$ 2,754.7</u>	<u>\$ 2,799.1</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable	\$ 0.7	\$ —
Current portion of long-term debt	42.0	43.2
Accounts payable	188.6	178.2
Accrued compensation	40.4	60.9
Accrued customer program liabilities	98.5	141.1
Accrued interest	6.8	1.2
Other current liabilities	112.1	113.8
Total current liabilities	489.1	538.4

Long-term debt, net	908.4	889.2
Deferred income taxes	174.8	177.1
Pension and post-retirement benefit obligations	268.3	275.5
Other non-current liabilities	149.1	144.8
Total liabilities	<u>1,989.7</u>	<u>2,025.0</u>
Stockholders' equity:		
Common stock	1.1	1.1
Treasury stock	(33.9)	(26.4)
Paid-in capital	1,999.1	1,999.7
Accumulated other comprehensive loss	(467.4)	(461.1)
Accumulated deficit	<u>(733.9)</u>	<u>(739.2)</u>
Total stockholders' equity	<u>765.0</u>	<u>774.1</u>
Total liabilities and stockholders' equity	<u>\$ 2,754.7</u>	<u>\$ 2,799.1</u>

ACCO Brands Corporation and Subsidiaries
Consolidated Statements of Income (Unaudited)
(In millions of dollars, except per share data)

	Three Months Ended		
	March 31,		
	2018	2017 (A)	% Change
Net sales	\$ 405.8	\$ 359.8	13%
Cost of products sold	<u>278.3</u>	<u>248.9</u>	12%
Gross profit	127.5	110.9	15%
Operating costs and expenses:			
Selling, general and administrative expenses	101.8	94.2	8%
Amortization of intangibles	9.3	8.0	16%
Restructuring charges	<u>4.7</u>	<u>1.5</u>	213%
Total operating costs and expenses	<u>115.8</u>	<u>103.7</u>	12%
Operating income	11.7	7.2	63%
Non-operating expense (income):			
Interest expense	9.4	9.8	(4)%
Interest income	(1.0)	(1.3)	(23)%
Non-operating pension income	(2.2)	(2.1)	5%
Other (income) expense, net	<u>(0.6)</u>	<u>0.7</u>	NM
Income before income tax	6.1	0.1	NM
Income tax benefit	<u>(4.3)</u>	<u>(3.5)</u>	23%
Net income	<u>\$ 10.4</u>	<u>\$ 3.6</u>	189%
Per share:			
Basic income per share	\$ 0.10	\$ 0.03	233%
Diluted income per share	\$ 0.09	\$ 0.03	200%
Weighted average number of shares outstanding:			
Basic	106.8	108.3	
Diluted	110.0	112.4	
Dividends per common share	\$ 0.06	—	

Statistics (as a % of Net sales, except income tax rate)		
	Three Months Ended	
	March 31,	
	2018	2017
Gross profit (Net sales, less Cost of products sold)	31.4%	30.8%
Selling, general and administrative expenses	25.1%	26.2%
Operating income	2.9%	2.0%
Income before income tax	1.5%	—%
Net income	2.6%	1.0%
Income tax rate	(70.5)%	NM

(A) 2017 historical data has been restated for ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which is effective for the Company in the first quarter of 2018. This new standard requires presentation of all components of net periodic pension and postretirement benefit costs, other than service costs, in an income statement line item outside of a subtotal of income from operations. This has resulted in the reclass of \$2.1 million of income out of operating income into the account "non-operating pension income" for the period ending March 31, 2017.

ACCO Brands Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>(in millions of dollars)</i>	Three Months Ended March 31,	
	2018	2017
Operating activities		
Net income	\$ 10.4	\$ 3.6
Amortization of inventory step-up	—	0.9
Loss on disposal of assets	0.1	—
Depreciation	9.0	9.0
Amortization of debt issuance costs	0.5	1.4
Amortization of intangibles	9.3	8.0
Stock-based compensation	3.2	2.4
Changes in balance sheet items:		
Accounts receivable	162.0	165.3
Inventories	(43.5)	(31.2)
Other assets	(8.0)	(0.8)
Accounts payable	8.8	(4.3)
Accrued expenses and other liabilities	(78.7)	(73.4)
Accrued income taxes	(12.7)	(15.5)
Net cash provided by operating activities	<u>60.4</u>	<u>65.4</u>
Investing activities		
Additions to property, plant and equipment	(8.0)	(5.2)
Proceeds from the disposition of assets	—	0.1
Cost of acquisitions, net of cash acquired	—	(292.6)
Net cash used by investing activities	<u>(8.0)</u>	<u>(297.7)</u>
Financing activities		
Proceeds from long-term borrowings	21.5	412.0
Repayments of long-term debt	(11.6)	(94.4)
Borrowings of notes payable, net	0.7	—
Payments for debt issuance costs	—	(3.4)
Dividends paid	(6.4)	—
Repurchases of common stock	(9.1)	—
Payments related to tax withholding for stock-based compensation	(7.4)	(9.2)
Proceeds from the exercise of stock options	5.3	1.4
Net cash (used) provided by financing activities	<u>(7.0)</u>	<u>306.4</u>
Effect of foreign exchange rate changes on cash and cash equivalents	0.4	1.3
Net increase in cash and cash equivalents	45.8	75.4
Cash and cash equivalents		
Beginning of the period	<u>76.9</u>	<u>42.9</u>
End of the period	<u>\$ 122.7</u>	<u>\$ 118.3</u>

ACCO Brands Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP Information (Unaudited)
(In millions of dollars, except per share data)

The following table sets forth a reconciliation of certain Income Statement information reported in accordance with GAAP to adjusted Non-GAAP Information.

	Three Months Ended March 31, 2018					Three Months Ended March 31, 2017					%	
	Reported	% of	Adjusted	Adjusted	% of	Reported	% of	Adjusted	Adjusted	% of		
	GAAP	Sales	Items	Non-GAAP	Sales	GAAP	Sales	Items	Non-GAAP	Sales	Adjusted	
Gross profit	\$ 127.5	31.4%	\$ —	\$ 127.5	31.4%	\$ 110.9	30.8%	\$ 0.9	(A.1)	\$ 111.8	31.1%	14%
Selling, general and administrative expenses	101.8	25.1%	(1.6) (A.2)	100.2	24.7%	94.2	26.2%	(4.4) (A.2)	89.8	25.0%	12%	
Restructuring charges	4.7		(4.7) (A.3)	—		1.5		(1.5) (A.3)	—		NM	
Operating income	11.7	2.9%	6.3	18.0	4.4%	7.2	2.0%	6.8	14.0	3.9%	29%	
Other (income) expense, net	(0.6)		—	(0.6)		0.7		(0.3) (A.4)	0.4		NM	
Income before income tax	6.1	1.5%	6.3	12.4	3.1%	0.1	—%	7.1	7.2	2.0%	72%	
Income tax expense	(4.3)		7.8 (A.5)	3.5		(3.5)		5.8 (A.5)	2.3		52%	
Income tax rate	(70.5)%			28.0%		NM			32.0%			
Net income	\$ 10.4	2.6%	\$ (1.5)	\$ 8.9	2.2%	\$ 3.6	1.0%	\$ 1.3	\$ 4.9	1.4%	82%	
Diluted income per share	\$ 0.09		\$ (0.01)	\$ 0.08		\$ 0.03		\$ 0.01	\$ 0.04		100%	
Weighted average number of shares outstanding:	110.0			110.0		112.4			112.4			

Notes for Reconciliation of GAAP to Adjusted Non-GAAP Information (Unaudited)

- A. "Adjusted" results exclude restructuring charges, amortization of the step-up in value of finished goods, transaction and integration expenses associated with the acquisitions of Esselte Group Holdings AB ("Esselte") and Pelikan Artline, other one-time or non-recurring items and all unusual income tax items, including income taxes related to the aforementioned items; in addition, income taxes have been recalculated at a normalized tax rate of 28% for 2018 and 32% for 2017.

Q1:															
ACCO Brands North															
America	\$ 165.6	\$ 2.9	\$ 1.8	\$ 4.7	2.8%	\$ 174.9	\$ 5.8	\$ 1.4	\$ 7.2	4.1%	\$(9.3)	(5)%	\$ (2.5)	(35)%	(130)
ACCO Brands EMEA															
EMEA	154.5	14.1	3.3	17.4	11.3%	96.5	3.6	1.9	5.5	5.7%	58.0	60%	11.9	216%	560
ACCO Brands International															
International	85.7	5.8	0.8	6.6	7.7%	88.4	10.1	0.6	10.7	12.1%	(2.7)	(3)%	(4.1)	(38)%	(440)
Corporate	—	(11.1)	0.4	(10.7)		—	(12.3)	2.9	(9.4)		—		(1.3)		
Total	<u>\$ 405.8</u>	<u>\$ 11.7</u>	<u>\$ 6.3</u>	<u>\$ 18.0</u>	4.4%	<u>\$ 359.8</u>	<u>\$ 7.2</u>	<u>\$ 6.8</u>	<u>\$ 14.0</u>	3.9%	<u>\$46.0</u>	13%	<u>\$ 4.0</u>	29%	50

Q2:						
ACCO Brands North						
America		\$ 280.6	\$ 51.7	\$ 2.8	\$ 54.5	19.4%
ACCO Brands EMEA						
EMEA		128.5	(0.6)	8.5	7.9	6.1%
ACCO Brands International						
International		80.9	4.0	3.9	7.9	9.8%
Corporate		—	(11.8)	0.8	(11.0)	
Total		<u>\$ 490.0</u>	<u>\$ 43.3</u>	<u>\$ 16.0</u>	<u>\$ 59.3</u>	12.1%

Q3:						
ACCO Brands North						
America		\$ 290.3	\$ 49.6	\$ 0.7	\$ 50.3	17.3%
ACCO Brands EMEA						
EMEA		140.3	7.8	3.3	11.1	7.9%
ACCO Brands International						
International		101.6	11.2	1.6	12.8	12.6%
Corporate		—	(11.9)	1.7	(10.2)	
Total		<u>\$ 532.2</u>	<u>\$ 56.7</u>	<u>\$ 7.3</u>	<u>\$ 64.0</u>	12.0%

Q4:						
ACCO Brands North						
America		\$ 253.2	\$ 45.3	\$ 0.9	\$ 46.2	18.2%
ACCO Brands EMEA						
EMEA		177.5	21.2	3.8	25.0	14.1%
ACCO Brands International						
International		136.1	25.6	0.1	25.7	18.9%
Corporate		—	(14.8)	2.6	(12.2)	
Total		<u>\$ 566.8</u>	<u>\$ 77.3</u>	<u>\$ 7.4</u>	<u>\$ 84.7</u>	14.9%

YTD:															
ACCO Brands North															
America	\$ 165.6	\$ 2.9	\$ 1.8	\$ 4.7	2.8%	\$ 999.0	\$ 152.4	\$ 5.8	\$ 158.2	15.8%					
ACCO Brands EMEA															
EMEA	154.5	14.1	3.3	17.4	11.3%	542.8	32.0	17.5	49.5	9.1%					
ACCO Brands International															
International	85.7	5.8	0.8	6.6	7.7%	407.0	50.9	6.2	57.1	14.0%					
Corporate	—	(11.1)	0.4	(10.7)		—	(50.8)	8.0	(42.8)						
Total	<u>\$ 405.8</u>	<u>\$ 11.7</u>	<u>\$ 6.3</u>	<u>\$ 18.0</u>	4.4%	<u>\$ 1,948.8</u>	<u>\$ 184.5</u>	<u>\$ 37.5</u>	<u>\$ 222.0</u>	11.4%					

(A) 2017 historical data has been restated for ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which is effective for the Company in the first quarter of 2018. This new standard requires presentation of all components of net periodic pension and postretirement benefit costs, other than service costs, in an income statement line item outside of a subtotal of income from operations. This has resulted in the reclass of \$8.5 million of income out of operating income into the account "non-operating pension income/costs" for the annual period ending December 31, 2017.

(B) See "Notes for Reconciliation of GAAP to Adjusted Non-GAAP Information (Unaudited)" for a description of adjusted items on page 8.

**ACCO Brands Corporation and Subsidiaries
Supplemental Net Sales Change Analysis (Unaudited)**

Percent Change - Sales			
GAAP	Non-GAAP		
		Comparable Net Sales	Comparable

	Net Sales Change	Currency		Change \$'s (A) (In millions of dollars)	Net Sales Change (A)
		Translation	Acquisition		
Q1 2018:					
ACCO Brands North America	(5.3)%	0.5%	0.5%	\$ (11.1)	(6.3)%
ACCO Brands EMEA	60.1%	14.2%	44.2%	1.6	1.7%
ACCO Brands International	(3.1)%	2.7%	0.7%	(5.7)	(6.5)%
Total	12.8%	4.7%	12.3%	\$ (15.2)	(4.2)%

(A) Comparable net sales excluding acquisitions and with current period foreign operation sales translated at prior year currency rates.

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SOURCE ACCO Brands Corporation

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